

4.3 FACTORS THAT PREVENT OR SUBSTANTIALLY HINDER THE ECONOMICALLY VIABLE USE OF BUILDINGS OR LOTS – CRL SECTION 33031 (A) (2)

The current definition of blight identifies characteristics that prevent or substantially hinder the economically viable use or capacity of buildings or lots as substandard design, inadequate size given present standards and market conditions, lack of parking, or similar factors.

Deterioration

As mentioned in the previous section, over 330 properties have structures that are in need of renovation. This means that, generally, maintenance is deferred on buildings and that they need moderate-to-substantial repairs, including peeling paint, deteriorated roofing materials, a sagging roof, leaning walls, cracked, chipped, or poorly patched exterior finishes, rotting wood, inappropriate building materials such as bare plywood or rolled roofing, and broken windows. The hundreds of buildings in need of repairs demonstrate the breadth of negative conditions the Agency faces.

Deterioration was observed throughout the Project Area. However, high concentrations of buildings in need of renovation are at the following locations:

- Monterey Road at Peebles Avenue
- Most of the Downtown area
- Monterey Road at Wright Avenue
- Monterey Road, between East Dunne and Barrett Avenue

Deteriorated structures have a significant impact on property values, which substantially hinders the economic viability of the property. The previous section of this Chapter showed how much lower property values are for dilapidated properties. Table 5, below, shows that the assessed value per acre of properties that need renovation in the Project Area (as determined through the field surveys) is also far less than those with structures that are sound. This demonstrates the negative affect that deterioration, which is a physical condition of blight, has on property values, which is an economic condition of blight.

TABLE 5
VALUE PER ACRE FOR PROPERTIES THAT NEED RENOVATION⁷

TYPE	VALUE PER ACRE	DIFFERENCE
Structurally Sound	\$1,205,881	n/a
Needs Renovation	400,471	-67%

Source: Santa Clara Assessor and GRC Redevelopment Consultants, Inc.

The total value of all properties with structures in need of renovation in the Project Area is \$95,019,640. If these properties were improved and assessed at the value per acre of structurally sound properties in the Project Area, the total value of the Project Area would increase by over \$286,000,000. This, in turn, would generate nearly \$3,000,000 annually in additional property taxes that would be received by the Agency and shared with all local taxing agencies due to the requirements of the CRL.

Obsolescence

A significant form of blight remaining in the Project Area is the overall obsolescence of the commercial uses. Generally, obsolete commercial buildings in the Project Area are older, smaller, in some degree of disrepair, have antiquated façades, inadequate display areas, inappropriate or illegal signs, inappropriate or substandard construction materials or finishes, and other similar characteristics.

Obsolescence was observed on 72 properties, which affects most of the commercial corridors of the Project Area, including:

- Monterey Road
- Main Avenue
- Dunne Avenue
- Tennant Avenue
- Depot Street
- Del Monte Avenue
- Much of the Downtown area

Commercial obsolescence has a significant effect on property values. As shown in Table 6, the value per acre of obsolete commercial uses in the Project Area (as determined through the field surveys) is more than two times less than more-modern

⁷ Determined by professional observations in the field, and calculated from the values in the Santa Clara County Assessors Rolls. Comparison is between blighted and non-blighted properties in the Project Area.

properties in the Project Area. This demonstrates the negative affect that obsolescence, which is a physical condition of blight, has on property values, which is an economic condition of blight.

TABLE 6
VALUE PER ACRE FOR OBSOLETE COMMERCIAL PROPERTIES⁸

TYPE	VALUE PER ACRE	DIFFERENCE
Non-obsolete commercial properties	\$1,209,026	n/a
Obsolete commercial properties	544,615	-55%

Source: Santa Clara Assessor and GRC Redevelopment Consultants, Inc.

The total value of all commercial properties with signs of obsolescence in the Project Area is \$24,453,225. If these properties were improved and assessed at the value per acre of non-obsolete commercial properties, the total value of the Project Area would increase by over \$54,000,000. This, in turn, would generate over \$500,000 annually in additional property taxes that would be received by the Agency and shared with all local taxing agencies due to the requirements of the CRL.

Age

Building age is a significant factor in obsolescence, deterioration, and other factors that hinder proper usefulness in the Project Area. According to information from the Santa Clara County Assessor on parcels where age data is known, the Project Area has an average construction date of 1980. This means that the average building in the Project Area is 26 years old and approaching the life expectancy for most building systems.

Generally, individual building systems begin to reach the end of their life at about 30 years.⁹ Roofs, elevators, heating and air conditioning, and other important systems all are likely to need replacement or major rehabilitation in order to function properly. In other words, a significant re-investment is required as the building ages. With approximately 950 structures in the Project Area over 30 years old, costs to maintain these structures are extraordinary and illustrate the need for a continued redevelopment program.

The age of buildings in the Project Area also contributes to lower property values and substantially hinders viable uses. As shown in Table 7, the value per acre of properties older than 30 years old is almost three times lower than those that were built more

⁸ Determined by professional observations in the field, and calculated from actual values in the Santa Clara County Assessors Rolls. Comparison is between blighted and non-blighted properties in the Project Area to demonstrate the drain on financial resources.

⁹ National Association of Home Builders – "Life Expectancy of Household Components, 2000.

recently in the Project Area. This demonstrates the negative affect that age has on property values.

TABLE 7
VALUE PER ACRE BY CONSTRUCTION DATE¹⁰

YEAR	TOTAL VALUE PER ACRE	DIFFERENCE
Built 1976 and Later	\$1,844,188	n/a
Built Before 1976	634,873	-66%

Source: Santa Clara Assessor and GRC Redevelopment Consultants, Inc.

Absentee Property Owners

A major factor that historically contributes to poor structural conditions is absentee ownership, particularly with residential structures. According to the records of the Santa Clara County Assessor, 19% of all residential properties in the Project Area are absentee-owned, compared to 13% in the entire City.

Absentee ownership of single-family homes leads directly to poor property maintenance. According to the field survey of existing conditions for this proposed amendment, single-family residential properties in the Project Area are seven times more likely to show signs of deterioration or dilapidation than if they were owner-occupied.

Absentee owners of property throughout the proposed Project Area are located in 22 different states:

- Arizona
- California
- Colorado
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Indiana

¹⁰ Determined by professional observations in the field, and calculated from actual values in the Santa Clara County Assessors Rolls. Comparison is between blighted and non-blighted properties in the Project Area to demonstrate the drain on financial resources.

- Massachusetts
- Minnesota
- North Dakota
- Nevada
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- South Carolina
- Texas
- Virginia
- Washington

The fact that so many owners are spread so far throughout the country demonstrates the monumental task the Agency faces in encouraging improvements. And with nearly 4,000 different owners in the Project Area, the task is even more daunting and may explain the piecemeal development pattern.

Without continued redevelopment in the Project Area, it is extremely difficult to revitalize an area with such a combination of deterioration, obsolescence, and absentee owners, because it is unlikely that property owners have either the means or the desire to work in concert with other owners to improve the community. The result is an area that is highly unlikely to change without the combined effort of the public and private sector using the tools of redevelopment planning. This is a major reason why the proposed Amendment is so important.

The value of single-family residential properties suffers the biggest impact due to absentee ownership. As shown in Table 8, the value per acre of absentee-owned single-family residential property is nearly twice as low as owner-occupied houses in the Project Area. This demonstrates the negative affect that absentee ownership has on property values.

TABLE 8
VALUE PER ACRE FOR
ABSENTEE-OWNED SINGLE-FAMILY RESIDENTIAL PROPERTY¹¹

TYPE	VALUE PER ACRE	DIFFERENCE
Owner-Occupied	\$1,633,517	n/a
Absentee	842,844	-48%

Source: Santa Clara Assessor and GRC Redevelopment Consultants, Inc.

The total value of all absentee-owned single-family residential properties in the Project Area is \$117,989,694. If these properties could be improved to the point that they would be assessed at the same value-per-acre as owner-occupied single-family residential properties, the total value of the Project Area would increase by nearly \$229,000,000. This, in turn, would generate over \$2,200,000 annually in additional property taxes that would be received by the Agency and shared with all local taxing agencies due to the requirements of the CRL.

Inadequate Public Improvements

Another characteristic that has a significant negative affect on the Project Area is the lack of adequate public facilities and infrastructure. The absence of adequate infrastructure and the readily apparent decline of existing facilities signals to the investment community that the cost of new development is likely to be much higher in order to construct or repair local infrastructure. This, in turn, means that any proposed re-use or new investment would not be economically viable because there would not be an adequate return on the investment.

General infrastructure improvement needs throughout the Project Area include:

- Streets
- Curbs, gutters, and sidewalks
- Sewer and water lines
- Flood control facilities
- Street lighting
- Pedestrian amenities

¹¹ Determined by professional observations in the field, and calculated from actual values in the Santa Clara County Assessors Rolls. Comparison is between blighted and non-blighted properties in the Project Area to demonstrate the drain on financial resources.

According to various City sources, the following specific infrastructure projects will be needed to help improve the Project Area:

Street Improvements

- Madrone/Monterey Improvements
- Dunne Overcrossing
- Butterfield Extension (s/o Tennant)
- Tennant Ave. Widening
- Tennant Ave. Overcrossing Expansion
- San Pedro/Spring Realignment
- Street Construction/Reconstruction
- Median Construction: Monterey & Cochrane
- Watsonville Overcrossing
- Traffic Signals
- Undergrounding Monterey Road Utilities
- Other Utility Undergrounding
- Sidewalk Construction
- Other Street Improvements & Extensions

Flood Control

- PL 566
- Local Connections
- Butterfield Storm Drain

Water/Sewer

- Sewer Main Reconstruction
- Water System (Mains, New Wells, Pumping Station)

Community Facilities

- Library Expansion
- Aquatics Center
- Sports Complex
- Youth Center (renovation El Toro/Friendly Inn)
- Community Park Master Plan
- Fire Station

The total cost for the above improvements is estimated at over \$300 million in 2006 dollars. A variety of funding sources are envisioned to be available to pay for the improvements, including development impact fees, gas taxes, and other federal assistance (primarily for PL566, the flood improvement project). However, these funding sources are estimated to total \$200 million of the cost, leaving a significant funding gap of just under \$96,000,000.

The City is not in a financial position to pay for \$96,000,000 worth of improvements, considering the average annual budget for

capital projects in the City is only \$25,000,000 over the next five years. In other words, it would take about four years of the City's entire capital budget to pay for just the public improvements needed right now in the Project Area.

However, one of the fundamental elements of improving an area through redevelopment is the construction of public facilities and infrastructure. If this Amendment is approved, additional funds will continue to be in place to "bridge the gap" between what is needed and what is available.

Outdoor Storage

Another significant form of blight is the open storage of equipment and junk. Outdoor storage was observed on 21 parcels in the Project Area where inoperable vehicles, junk, tools, toys, or other materials were openly stored in front of the property in view from the public right-of-way. Open storage and illegal dumping has a significant affect on the image of the area as well as the psyche of its residents and workers. Most importantly, it generally promotes further decline of the area and hinders private investment. This is because blight lends itself to additional blight, and investors tend to avoid areas littered with debris.

Outdoor storage has a substantial affect on property values. As shown in Table 9, the value per acre of properties with open storage in the proposed Project Area (as determined through the field surveys) is almost five times less than those without open storage in the Project Area. This demonstrates the negative affect that open storage, which is a physical condition of blight, has on property values, which is an economic condition of blight.

TABLE 9
VALUE PER ACRE FOR PROPERTIES WITH OPEN STORAGE¹²

TYPE	VALUE PER ACRE	DIFFERENCE
Without Open Storage	\$969,398	n/a
With Open Storage	208,957	-78%

Source: Santa Clara Assessor and GRC Redevelopment Consultants, Inc.

The total value of all obsolete commercial properties with open storage in the proposed Project Area is \$14,886,074. If these properties could be improved to the point that they would be

¹² Determined by professional observations in the field, and calculated from actual values in the Santa Clara County Assessors Rolls. Comparison is between blighted and non-blighted properties in the Project Area to demonstrate the drain on financial resources.

assessed at the same value-per-acre as properties without open storage, the total value of the proposed Project Area would increase by over \$69,000,000. This, in turn, would generate over \$690,000 annually in additional property taxes that would be received by the Agency and shared with all local taxing agencies due to the requirements of the CRL.

The problems described in this section are extremely serious hindrances to the economic viability of the Project Area. Considering the poor physical character of the Project Area today, it is clear that the private sector, by itself, has neither the financial capability nor authority to improve the area nor the motivation to invest in a depressed area.

Together, the detrimental physical conditions in the Project Area create an area where seemingly desirable land has significant problems that substantially hinder its viable use.

See Photos B1 – B78 for examples of factors that prevent or hinder the viable use of properties in the Project Area.

Photo B1

- Missing curb, gutter, and sidewalk
- Illegal signs
- Vacancies



Photo B2

- Illegal signs
- Incomplete curb, gutter, and sidewalk
- Need for utility undergrounding



Photo B3

- Damaged parking lot



Photo B4

- Trash and debris



Photo B5

- Damaged parking lot



Photo B6

- Graffiti



Photo B7

- Damaged street
- Missing curb, gutter, and sidewalk



Photo B8

- Damaged street
- Missing curb, gutter, and sidewalk
- Need for utility undergrounding



Photo B9

- Damaged street
- Inadequate drainage
- Missing sidewalk
- Need for utility undergrounding



Photo B10

- Trash and debris
- Missing curb, gutter, and sidewalk



Photo B11

- Damaged street
- Inadequate drainage
- Outdoor storage



Photo B12

- Outdoor storage
- Barbed wire



Photo B13

- Missing curb, gutter, and sidewalk



Photo B14

- Illegal signs

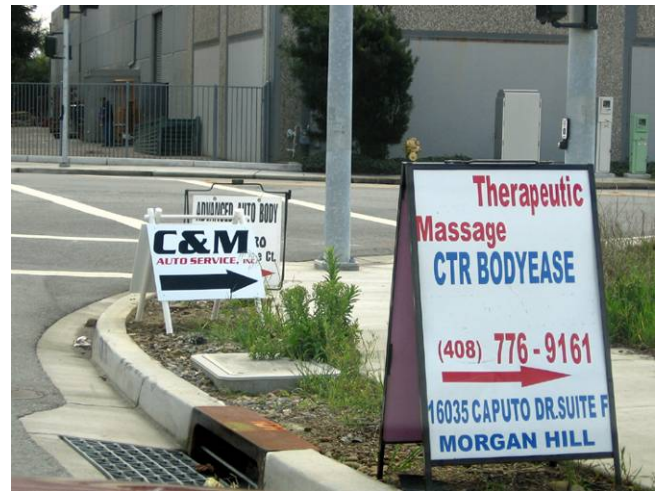


Photo B15

- Illegal dumping



Photo B16

Laurel Avenue, south of Stateline

- Wood rot
- Chipped and peeling paint



Photo B17

- Damaged street
- Missing curb, gutter, and sidewalk
- Inadequate drainage
- Inadequate parking into right-of-way
- Building with minimum design elements



Photo B18

- Outdoor storage
- Barbed wire



Photo B19

- Building with minimum design elements
- Inadequate parking
- No landscaping
- Need for utility undergrounding



Photo B20

- Damaged walls
- Chipped and peeling paint
- Outdoor storage
- Barbed wire



Photo B21

- Inadequate drainage
- Incomplete curb, gutter, and sidewalk



Photo B22

- Trash and debris
- Barbed wire



Photo B23

- Deterioration
- Obsolescence
- Vacancies
- No landscaping



Photo B24

- Deterioration
- Obsolescence
- No landscaping
- Need for utility undergrounding



Photo B25

- Obsolescence
- Inadequate parking



Photo B26

- Inadequate drainage
- Missing curb, gutter, and sidewalk



Photo B27

- Outdoor storage
- Illegal occupancy



Photo B28

- Outdoor storage
- Inadequate parking



Photo B29

- Obsolescence
- Deterioration
- Damaged wall
- Need for utility undergrounding



Photo B30

- Obsolescence
- No landscaping
- Damaged parking lot



Photo B31

- Obsolescence
- Damaged parking lot
- Inadequate drainage
- Need for utility undergrounding



Photo B32

- Obsolescence
- Illegal signs
- Inadequate parking into right-of-way
- Inadequate drainage
- Missing curb, gutter, and sidewalk
- Need for utility undergrounding



Photo B33

- Inadequate drainage
- Missing curb, gutter, and sidewalk



Photo B34

- Missing sidewalk
- Illegal dumping



Photo B35

- Inadequate drainage
- Obsolescence
- Illegal signs
- Damaged street
- Need for utility undergrounding



Photo B36

- Exposed trash containers



Photo B37

- Obsolescence
- Exposed trash containers
- Need for utility undergrounding



Photo B38

- Damaged sidewalk
- No ADA curb cut
- Overgrown weeds



Photo B39

- Missing curb, gutter, and sidewalk
- Obsolete storefronts
- Need for utility undergrounding
- Lack of landscaping



Photo B40

- Incomplete curb, gutter, and sidewalk
- Need for utility undergrounding



Photo B41

- Graffiti
- Trash and debris
- Incompatible uses
- Deterioration



Photo B42

- Damaged parking lot



Photo B43

- Exposed trash containers
- Graffiti



Photo B44

- Obsolete storefronts
- Obsolete pole sign
- Inadequate drainage
- Need for utility undergrounding



Photo B45

- Deterioration
- Incompatible use



Photo B46

- Deterioration
- Obsolete storefront due to converted house
- Exposed trash container



Photo B47

- Outdoor storage of vehicles



Photo B48

- Illegal dumping



Photo B49

- Inadequate drainage
- Missing curb, gutter, and sidewalk



Photo B50

- Deterioration



Photo B51

- Damaged street
- Inadequate drainage



Photo B52

- Deterioration (water pounding on roof)



Photo B53

- Deterioration



Photo B54

- Deterioration
- Damaged roofing materials
- Damaged exterior walls
- Chipped and peeling paint
- Damaged driveway, sidewalk, and approach



Photo B55

- Deterioration
- Vacant and boarded up



Photo B56

- Inadequate bridge
- Inadequate street



Photo B57

- Missing curb, gutter, and sidewalk
- Inadequate drainage
- Damaged street
- Outdoor storage of equipment



Photo B58

- Deterioration
- Obsolete structures
- Vacant
- Incompatible with surrounding residential uses



Photo B59

- Deterioration



Photo B60

- Missing curb, gutter, and sidewalk
- Inadequate drainage
- Need for utility undergrounding



Photo B61

- Outdoor storage of equipment, vehicles, and junk



Photo B64

- Need for utility undergrounding



Photo B65

- Missing curb, gutter, and sidewalk
- Inadequate drainage



Photo B66

- Outdoor storage of vehicles



Photo B67

- Obsolete storefront
- Damaged parking lot
- Missing curb, gutter, and sidewalk
- Need for utility undergrounding (note power pole on edge of right-of-way)



Photo B68

- Inadequate drainage
- Missing curb, gutter, and sidewalk



Photo B69

- Obsolete storefronts
- Inadequate parking areas
- Need for utility undergrounding



Photo B70

- Deterioration
- Obsolete storefront
- Need for utility undergrounding
- Overgrown weeds
- Damaged parking lot



Photo B71

- Deterioration
- Obsolete storefronts
- Damaged parking lots
- Missing curb, gutter, and sidewalk
- Need for utility undergrounding
- Lack of landscaping



Photo B72

- Deterioration
- Obsolete storefronts
- Need for utility undergrounding
- Lack of landscaping



Photo B73

- Deterioration
- Barbed wire



Photo B74

- Inadequate drainage
- Dirt driveway
- Outdoor storage



Photo B75

- Inadequate parking (vehicle parked where sidewalk should be)
- Missing sidewalk
- Illegal sign
- Need for utility undergrounding
- Overgrown weeds



Photo B76

- Deterioration
- Obsolete buildings
- Chain link fence
- Overgrown weeds
- Missing curb, gutter, and sidewalk



Photo B77

- Deterioration



Photo B78

- Deterioration
- Outdoor storage of vehicles
- Damaged parking lot
- Barbed wire

